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*(1967 figures)*

1968 • SECOND

# ANNUAL REPORT

ATLAS EXPLORATIONS LIMITED (N.P.L.)





*File* **ATLAS EXPLORATIONS LIMITED (N.P.L.)  
AND SUBSIDIARY COMPANIES** *7*

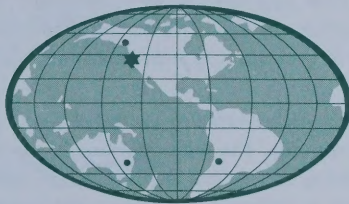
CIMA MINES LIMITED

ATLAS OIL & GAS LIMITED

ATLAS EXPLORATIONS (AUSTRALIA) LIMITED (N.P.L.)

MOUNT HUNDERE MINES LIMITED (N.P.L.)

ATLAS COPPER LIMITED (N.P.L.)



# INTERIM REPORT

STATEMENT OF CONSOLIDATED EARNINGS AND STATEMENT OF CONSOLIDATED  
SOURCE AND USE OF WORKING CAPITAL FOR SIX MONTHS PERIOD ENDING  
JUNE 30, 1968.



# ATLAS EXPLORATIONS LIMITED (N.P.L.)

## AND SUBSIDIARY COMPANIES

### To our shareholders:

There is submitted herewith your company's Statement of Consolidated Earnings and Statement of Consolidated Source and Use of Working Capital for the six month period ended June 30, 1968.

During 1967 your company's copper mine in Chile was in the pre-production stage, consequently earnings did not commence until 1968. The earnings reflected on the attached statement thus represent the initial earnings of your company from operations.

Because the company had no operating earnings prior to January 1, 1968 comparison of this six month period with the same period in 1967 would not provide meaningful information. For this reason comparative figures for the first half of 1967 have been omitted from these statements.

Production earnings from the company's first successful oil well in Ontario did not commence until August 18, 1968. However, I am pleased to report that to the end of August this first well produced 2,169 barrels of oil which will bring a net return to the company approximately \$4,700.00 in production revenue. Two further wells have subsequently been drilled, one of which was successful, and though production testing is still in progress it is anticipated that production revenue will be received from this well by the end of September.

Deferred Exploration and Development costs as reflected on the attached statement, pertain primarily to your company's gas exploration and development program on Lake Erie. The major portion of the mineral exploration and development work being done in the Yukon by your company is now being carried out in conjunction with joint venture partners and therefore Atlas' participation costs for the period are not included in Deferred Exploration and Development Costs, but rather are reflected as Joint Venture Investment costs.

The joint ventures in the Yukon, are being managed by Atlas Explorations Ltd., and your company's investment therein to June 30, 1968, totals \$948,971.00. During the first six months of 1968 contributions by other joint venture partners, totalled \$100,000.00. The cost of the future development work on Joint Venture projects will be borne primarily by Atlas' partners as your company has now completed its basic contribution requirement.

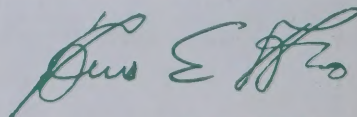
In addition to the aforementioned joint ventures, your company directly and through its subsidiaries, has entered into a number of Joint Venture agreements for acquisition and development of additional mineral and oil and gas properties. While delays in the Lake Erie gas project were experienced earlier this season due to required modifications of the drilling rig, all projects are now on schedule.

In July the final underwriting option of 100,000 shares was taken down and netted the company \$280,000.00. The present exploration, development and production programs of the company and its subsidiaries are now adequately financed. As your company is now in receipt of production revenue, the resultant cash flow makes it possible to look towards this revenue and bank financing as the main source of funds for future operations.

In summary, the main activities of your company, at present, are the continued development of oil and gas in Ontario, joint venture drilling of one prospect and the exploration of two new ones in the Yukon, and the production of copper from its leaching operation in Chile concurrent with exploration of a large nearby copper prospect which is to be drilled this winter.

In order to ensure receipt of up to date reports on the company's activities, including a brochure on the company's projects to be published this year, it is recommended that all shareholders register their shares with the Guaranty Trust Company of Canada, the Company's Transfer Agent.

Submitted on behalf of the Board.



Dr. Aaro E. Aho  
President

September 10, 1968.

# ATLAS EXPLORATIONS LIMITED (N.P.L.)

## AND SUBSIDIARY COMPANIES

### STATEMENT OF CONSOLIDATED SOURCE AND USE OF WORKING CAPITAL FOR SIX MONTHS ENDED JUNE 30, 1968.

#### REVENUE

From Mine Production — Chile . . . . . \$ 589,646

#### EXPENSES

Mine Operating and Related Costs . . . . . \$ 280,807  
Depreciation of Fixed Assets . . . . . 54,580  
Amortization of Pre-Production Expenses . . . . . 73,846 409,233

Net Mine Operating Profit . . . . . \$ 180,413

### FUNDS DERIVED FROM MINE OPERATIONS

Net Operating Profit . . . . . \$ 180,413

Add: Items not Requiring an Outlay of Working Capital

Deducted in Arriving at Operating Profit:

Depreciation . . . . . \$ 54,580  
Amortization . . . . . 73,846 \$ 128,426

Total Funds Derived from Operations . . . . . \$ 308,839

### STATEMENT OF CONSOLIDATED EARNINGS — FOR SIX MONTHS ENDED JUNE, 30, 1968.

#### SOURCE OF WORKING CAPITAL

Funds Derived from Mine Operations . . . . . \$ 308,839  
Issue of Capital Stock (248,161 shs.) . . . . . 627,530  
Sale of Fixed Assets . . . . . 37,559  
\$ 973,928

#### USE OF WORKING CAPITAL

Deferred Exploration and Developments Costs for Period . . . . . \$ 348,573  
Less: Depreciation included therein not requiring  
an outlay of working capital . . . . . 8,175  
\$ 340,398  
Purchase of Fixed Assets . . . . . \$ 47,510  
Additional Investment in Joint Ventures . . . . . 97,714  
Acquisition of Minority Interest in Subsidiary Company . . . . . 115,812 601,434

INCREASE IN WORKING CAPITAL . . . . . 372,494

WORKING CAPITAL — BEGINNING OF PERIOD . . . . . 288,476

WORKING CAPITAL — END OF PERIOD . . . . . \$ 660,970

#### Represented by:

Current Assets . . . . . \$ 1,610,413  
Less: \* Current Liabilities . . . . . 949,443  
\$ 660,970

\* Includes \$500,000.00 owing to Dynasty Explorations Ltd.  
Dynasty has the option to convert this loan to 200,000 shares  
of Atlas Explorations Limited (N.P.L.) on or before December 31, 1968.





**ATLAS  
EXPLORATIONS  
LIMITED (N.P.L.)**



**OFFICERS:**

Dr. Aaro E. Aho, *President and Chairman of the Board*  
Ronald V. Markham, *Vice President*  
R. E. Gordon Davis, *Vice President*  
John Bruk, *Secretary and General Counsel*  
Gordon K. Allan, *Comptroller*  
Louis P. Lees, *Asst. Comptroller*  
Selwyn B. Jones, *Treasury Supervisor*

**DIRECTORS:**

Aaro E. Aho, West Vancouver, B.C.  
Ronald V. Markham, Vancouver, B.C.  
R. E. Gordon Davis, Vancouver, B.C.  
John Bruk, West Vancouver, B.C.

**HEAD OFFICE:**

330-355 Burrard Street,  
Vancouver 1, B.C.

**REGISTERED OFFICE:**

801-900 West Hastings Street,  
Vancouver 1, B.C.

**YUKON OFFICE:**

101 Elliott Street, Whitehorse, Y.T.

**CHILE OFFICES:**

Legal: Teatinos 220-10° Piso, Santiago  
Mine: Casilla 65, Calama  
Casilla 560, Antofagasta

**AUSTRALIA OFFICE:**

49 Walker Street, North Sydney, N.S.W.

**CONSULTING ENGINEERS:**

Dr. Douglas D. Campbell, Vancouver, B.C.  
Quillian, Boychuk & Associates, Chatham, Ontario

**SOLICITORS:**

Lawrence & Shaw,  
Vancouver, B.C.

**BANKERS**

The Royal Bank of Canada,  
Broadway & Cambie Sts., Vancouver, B.C.

**AUDITORS:**

McDonald, Currie & Co.,  
Vancouver, B.C.  
Coopers & Lybrand, Chile and Australia

**TRANSFER AGENTS:**

The Guaranty Trust Company of Canada,  
Vancouver, B.C.





## TO OUR SHAREHOLDERS

Within the last year your company has grown considerably in terms of projected cash flow and future potential, as outlined in a recent brochure and in the text of this annual report.

Following a policy of developing substantial cash flow for further aggressive mineral exploration, development, and corporate growth, the company's copper mine in Chile reached commercial production early in 1968 and the company plans to develop natural gas production from Lake Erie in 1968. Intensive exploration being continued in Yukon and Australia holds attractive future potential.

Copper production from the Cima Mines operation in Chile has reached a steady 40 tons of "cement" copper concentrate per week after a start-up period in 1967. With current high copper prices this production is presently returning well in excess of \$100,000 per month *net* revenue to the company and this is expected to be increased by addition of new precipitation tanks. The total capital investment of U.S. \$1,400,000 is thus expected to be recovered in less than two years. Additional work is being done to expand reserves of copper ore for continued operations.

On the Lake Erie natural gas project drilling contracts have been finalized and drilling is expected to start about the beginning of May on an accelerated program intended to supply sufficient information for design and construction of a pipeline to put the gas field into production by the last quarter of this year. Under reasonable projection, substantial cash flow could be realized which would make possible the recovery of total estimated capital expenditures by early 1971.

In Yukon, Atlas has entered into a joint venture with Mitsui Mining & Smelting Company of Japan whereby Mitsui will finance further exploration on the Sheldon project. An aggressive program of exploration is also being continued in the Hess area to the northwest, and other parts of Yukon are being explored. Some work is also planned on the Silver Titan and Mt. Hundere properties.

In Australia, Atlas has been granted a 300-square mile Exploration Licence in New South Wales covering a number of showings and survey indications of tin and molybdenum. A promising copper prospect is being prepared for drilling and exploration is continuing in other areas.

With the intensified efforts under way, we are sure the company will continue to grow and prosper.

The above is only a brief summary of the activities of Atlas and its subsidiaries. Elsewhere in this Annual Report our more significant activities are reported in more detail.

In conclusion I would like to thank all shareholders, officers, directors, and especially personnel of the company for their persistent and unstinting efforts devoted toward success; my thanks also to our auditors, consultants and financial, legal and other associates for their most capable guidance, contributions and efforts on our behalf.

Respectfully submitted on behalf of the Board of Directors.

March 31, 1968

Aaro E. Aho, Ph.D., P.Eng.,  
Chairman of the Board





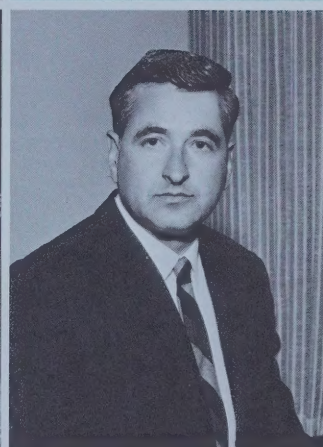
## BOARD OF DIRECTORS



*Ronald V. Markham*  
Director



*R. E. Gordon Davis*  
Director



*John Bruk*  
Director

### ADMINISTRATIVE PERSONNEL

Dr. Aaro E. Aho	President and Chief Executive Officer; <i>Geological Engineer.</i>
R. E. Gordon Davis	Vice President and Chief Operations Officer; <i>Geological Engineer.</i>
Gordon K. Allan	Comptroller and Chief Administrative Officer; <i>Professional Accountant.</i>
Selwyn B. Jones	Treasury Supervisor; <i>Chartered Secretary.</i>

### OPERATIONS MANAGERS

John S. Brock	YUKON Geophysicist.
Louis P. Lees	LAKE ERIE (GAS) Professional Accountant (Assistant Comptroller).
George H. Shannon	CHILE Mechanical Electrical Engineer.

Atlas Explorations Limited (N.P.L.) 2nd Annual Meeting, Friday, April 26th, 10:00 a.m., Fraser Room,  
Bayshore Inn, Vancouver, B.C.





*Heap leaching pad being irrigated to produce copper solution in addition to solution produced directly from the mine.*



*Cement copper concentrate being dried ready for bagging.*

*Loading cement copper.*



*Pregnant copper solution and scrap iron being delivered to precipitation tanks from which copper is flushed onto drying pad shown opposite.*

*Bagged shipment of cement copper ready for trucking to Antofagasta.*





## Production of Copper in Chile

Cima Mines Ltd. is a wholly-owned subsidiary which has placed a copper mine into production near Calama in Northern Chile.

Copper is produced from water-soluble copper ore by leaching with water in place in the mine, and also in heaps laid on a soil cement base. Copper is recovered by circulating the resultant solution over scrap iron which precipitates metallic copper of about 60% grade. This is dried, bagged, and shipped to buyers under contract negotiated by Philipp Brothers. The Cima operation is the first application of such heap leaching in Chile, although the method has been used with success for the past few years on low grade oxidized copper ores in the southwestern United States.

In the mine initial estimated reserves total about 400,000 tons containing 5,000 metric tons of recoverable copper. A greater tonnage for continued operation has been indicated by exploration of an adjoining deposit.

Capital investment to bring the mine into production has been approximately U.S. \$1,400,000 and operating costs are about U.S. \$45,000 per month.

Up to March 1968 two shipments of concentrate were made to Japan with an estimated sales value of approximately \$537,000 Canadian. As at March 22, 1968 a further \$225,000 worth of concentrate was in a bonded warehouse in Antofagasta awaiting shipment.

Production is now a steady 40 tons of 60% "cement" copper concentrate per week, and is expected to increase to about 70 tons per week when more new precipitation tanks are completed about the end of April. Assuming a copper price of U.S. 50c per pound (March 15/68 price was U.S. 75c), projected revenue would be as follows:

—Estimated total sales value of copper production		
to December 31/68 @ U.S. 50c per pound .....	U.S.	\$1,796,000
—Less: Estimated production costs .....		
Estimated capital expenditures .....	80,000	<u>620,000</u>
—Estimated profit before depreciation,		
Return of capital, etc. ....	U.S.	<u>\$1,176,000</u>
—Estimated 1968 profit in Canadian		
Dollar equivalent .....	Can.	<u>\$1,270,000</u>

Under Cima's special governmental decree with the Republic of Chile, 70% of the profits may be retained outside Chile and the capital investment may be fully repatriated over a 5-year period. The operation is accordingly expected to produce a net cash return of \$1 million U.S. per year to the company in Canada. The balance of 30% to be reinvested in Chile will be used to explore and develop larger reserves.



**ATLAS EXPLORATIONS LIMITED (N.P.L.)**  
AND SUBSIDIARY COMPANIES

**CONSOLIDATED BALANCE SHEET**

**ASSETS**

**CURRENT ASSETS**

	1967 \$	1966 \$
Cash .....	51,011	48,721
Marketable securities — at cost, 184,100 shares of Dynasty Explorations Limited (quoted value \$1,546,440) .....	1,317,619	160,000
Accounts receivable — sundry .....	92,760	50,692
Government grant receivable (note 12) .....	52,842	
Concentrate settlements receivable, at estimated realizable value (note 3) .....	195,269	
Concentrate inventories (for which a sales contract has been made) — at estimated net realizable value .....	33,616	
Mine materials and supplies — at cost .....	49,452	33,414
	<u>1,792,569</u>	<u>292,827</u>

**INVESTMENTS (notes 1 and 4)**

Shares .....	164,836		
Advances .....	<u>380,257</u>	545,093	35,000

MINERAL PROPERTIES (notes 1 and 5) .....	767,274	429,459
FIXED ASSETS (note 6) .....	452,844	402,314
DEFERRED COSTS (notes 1 and 7) .....	<u>3,339,694</u>	<u>1,315,808</u>
	<u>6,897,474</u>	<u>2,475,408</u>

APPROVED ON BEHALF OF THE BOARD

  
Director

  
Director



AT DECEMBER 31, 1967

## LIABILITIES

	1967 \$	1966 \$
<b>CURRENT LIABILITIES</b>		
Bank advances (note 8) .....	412,602	
Accounts payable and accrued liabilities .....	317,892	211,435
Advances on concentrate settlements receivable and concentrate inventories (secured) .....	208,799	
Current portion of long-term debt (note 9) .....	564,800	162,000
	<u>1,504,093</u>	<u>373,435</u>
<b>LONG-TERM DEBT (note 9) — net of current portion</b> .....		64,800
<b>EXCHANGE ADJUSTMENT ARISING ON CONSOLIDATION OF SUBSIDIARY COMPANY HAVING A FOREIGN DIVISION</b> .....	8,728	19,255
<b>EXCESS OF BOOK VALUE OF NET ASSETS OVER COST OF INVESTMENT IN SHARES OF SUBSIDIARIES</b> .....		225,687
<b>MINORITY INTEREST IN NET ASSETS OF CONSOLIDATED SUBSIDIARY COMPANIES</b> .....	46,813	87,000
	<u>1,559,634</u>	<u>770,177</u>

## SHAREHOLDERS' EQUITY

<b>CAPITAL STOCK (note 10)</b>		
Authorized —		
10,000,000 shares of the par value of 50c each		
Issued and fully paid —		
3,675,366 (1966; 2,351,532) shares .....	1,837,683	1,175,766
<b>CONTRIBUTED SURPLUS (note 10 (b))</b> .....	3,770,739	528,824
	<u>5,608,422</u>	<u>1,704,590</u>
<b>EARNED SURPLUS (DEFICIT)</b> .....	(270,582)	641
	<u>5,337,840</u>	<u>1,705,231</u>
	<u>6,897,474</u>	<u>2,475,408</u>

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Atlas Explorations Limited (N.P.L.) and subsidiary companies as at December 31, 1967 and the statements of consolidated earned surplus, source and use of working capital, and deferred costs of the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Vancouver, B.C.  
April 5, 1968.

McDONALD, CURRIE & CO.  
Chartered Accountants.

ATLAS EXPLORATIONS LIMITED (N.P.L.)  
AND SUBSIDIARY COMPANIES

Statement of Consolidated Earned Surplus  
for the Year Ended December 31, 1967

	1967 \$	Nov. 9, 1965 (Date of Incorporation) to Dec. 31, 1966 \$
EARNED SURPLUS — beginning of period .....	641	
CHANGES DURING PERIOD		
Cost of mineral mining claims abandoned .....	(17,195)	(500)
Exploration, development and other expenditures relating to abandoned claims .....	(361,900)	
	<u>(379,095)</u>	<u>(500)</u>
Less:		
Gain (Loss) on sale of fixed assets .....	290	(1,172)
Gain on disposal of investments .....	107,582	2,313
	<u>107,872</u>	<u>1,141</u>
Surplus (Deficit) during period .....	<u>(271,223)</u>	<u>641</u>
EARNED SURPLUS (DEFICIT) — end of period .....	<u>(270,582)</u>	<u>641</u>



**Statement of Consolidated Source and Use of Working Capital  
for the Year Ended December 31, 1967**

	1967	Nov. 9, 1965 (Date of Incorporation) to Dec. 31, 1966
	\$	\$
<b>SOURCE OF WORKING CAPITAL</b>		
Issue of capital stock (note 10 (a)) .....	3,903,832	1,629,590
Loan .....	500,000	
Disposal of investments .....	396,712	5,000
Sale of fixed assets .....	18,264	3,868
	<u>4,818,808</u>	<u>1,638,458</u>
<b>USE OF WORKING CAPITAL</b>		
Deferred costs for the year .....	2,385,786	1,315,808
Deduct depreciation not requiring an outlay of working capital .....	287,173	188,109
	<u>2,098,613</u>	<u>1,127,699</u>
Purchase of major portion of minority interest in subsidiary company .....	274,687	
Purchase of investments .....	793,943	35,000
Purchase of fixed assets .....	355,681	283,463
Purchase of mineral properties .....	335,171	
Payments made under option agreements .....	16,176	19,920
Capitalization of mineral properties .....	126	2,239
Payment of long-term debt .....	564,800	270,000
Exchange adjustment arising on consolidation of subsidiary company having a foreign division .....	10,527	(19,255)
	<u>4,449,724</u>	<u>1,719,066</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b> .....	369,084	(80,608)
<b>WORKING CAPITAL (DEFICIENCY) — beginning of year</b> .....	(80,608)	
<b>WORKING CAPITAL (DEFICIENCY) — end of year</b> .....	<u>288,476</u>	<u>(80,608)</u>
<b>REPRESENTED BY:</b>		
Current Assets .....	1,792,569	292,827
Less: current liabilities .....	1,504,093	373,435
Working capital (deficiency) .....	<u>288,476</u>	<u>(80,608)</u>

**ATLAS EXPLORATIONS LIMITED (N.P.L.)**  
AND SUBSIDIARY COMPANIES

**Schedule of Consolidated Deferred Costs  
for the Year Ended December 31, 1967**

	<i>Yukon</i> \$	<i>Australia</i> \$	\$
<b>MINING EXPLORATION AND DEVELOPMENT</b>			
Prospecting .....	33,701		
Staking and examination .....	37,651	11,012	
Drilling .....	45,268	41,688	
Line cutting .....	30,962		
Roads .....	22,393		
Surveys .....	203,055	29,961	
Trenching .....	16,368		
	<u>389,398</u>	<u>82,661</u>	
Administration allocation .....	166,669	24,272	
	<u>556,067</u>	<u>106,933</u>	
Less: Government grant .....	231,160	8,198	
	<u>324,907</u>	<u>98,735</u>	
Add: Purchased from Silver Titan Mines Ltd. (N.P.L.) .....	1,148,456		
	<u>1,473,363</u>	<u>98,735</u>	1,572,098
<b>GAS EXPLORATION AND DEVELOPMENT</b>			
		<i>Lake Erie</i>	
Drill Costs .....		231,222	
Production casing .....		7,700	
Supplies and miscellaneous .....		1,069	
Surface casing .....		9,632	
Surveying .....		2,434	
Tubing .....		2,911	
Wellhead and fittings .....		2,052	
		<u>257,020</u>	
Administration allocation .....		78,823	335,843
<b>MINING PREPRODUCTION</b>			
		<i>Chile</i>	
Consulting fees .....		46,955	
Contractors .....		10,551	
Depreciation .....		242,755	
Materials and supplies .....		52,237	
Miscellaneous .....		124,085	
Salaries .....		140,545	
Travel .....		21,718	
		<u>638,846</u>	
Administration allocation .....		79,469	
		<u>718,315</u>	
Less: Expenses recovered through production of concentrates (Note 7) .....		242,295	476,020
<b>ORGANIZATION COSTS</b> .....			<u>1,825</u>
			<u>2,385,786</u>



**Statement of Consolidated Deferred Costs for the Period from November 9, 1965  
(Date of Incorporation) to December 31, 1967**

MINING EXPLORATION AND DEVELOPMENT	<i>Balance at Beginning of Year</i>	<i>Expenditures During Year</i>	<i>Written off During Year</i>	<i>Balance End of Year</i>
Yukon	\$	\$	\$	\$
Fyre Lake .....	222,732	7,480	1,165	229,047
Grass Lakes .....	51,001	6,123	19,204	37,920
Hundere .....	17,574	270		17,844
Magundy .....	66,240	1,118	67,358	
Old Gold .....	80,060	4,149	84,209	
Sheldon (note 5 (d)) .....	396,927	253,014	80,288	569,653
Other .....	63,135	52,753	86,691	29,197
	<u>897,669</u>	<u>324,907</u>	<u>338,915</u>	<u>883,661</u>
 Purchased from Silver Titan Mines Limited (N.P.L.):				
Shanghai .....		749,830		749,830
Galena Hill .....		375,641		375,641
Other .....		22,985	22,985	
 Australia .....	<u>43,696</u>	<u>98,735</u>	<u>361,900</u>	<u>142,431</u>
	941,365	1,572,098		2,151,563
 GAS EXPLORATION AND DEVELOPMENT				
Lake Erie .....		335,843		335,843
	<u>941,365</u>	<u>1,907,941</u>	<u>361,900</u>	<u>2,487,406</u>
 PREPRODUCTION				
Chile .....	369,301	476,020		845,321
 ORGANIZATION COSTS .....	<u>5,142</u>	<u>1,825</u>		<u>6,967</u>
 TOTAL DEFERRED COSTS .....	<u>1,315,808</u>	<u>2,385,786</u>	<u>361,900</u>	<u>3,339,694</u>

ATLAS EXPLORATIONS LIMITED (N.P.L.)  
AND SUBSIDIARY COMPANIES

Schedule of Consolidated Administration Costs  
for the Year Ended December 31, 1967

	1967	Nov. 9, 1965 (Date of Incorporation) to Dec. 31, 1966
	\$	\$
Accounting and audit .....	12,169	8,694
Advertising .....	2,792	2,289
Employees' salaries .....	73,816	46,092
Finance bonus .....	8,000	
Interest and bank charges .....	59,622	10,374
Legal fees .....	30,331	11,710
Management and consulting fees .....	78,895	70,564
Miscellaneous .....	28,380	16,032
Office and equipment rental .....	29,308	12,398
Shareholders' reports .....	5,785	9,490
Telephone and telex .....	10,996	9,883
Travel .....	22,694	32,290
Trust company fees .....	4,061	2,532
	<u>366,849</u>	<u>232,348</u>
Less: Expenses recovered .....	16,909	
Interest earned .....	<u>707</u>	<u>24,324</u>
TOTAL .....	<u>349,233</u>	<u>208,024</u>

ALLOCATION OF DEFERRED ADMINISTRATION COSTS TO:

Mining exploration and development		
Yukon .....	166,669	124,368
Australia .....	24,272	
	<u>190,941</u>	<u>124,368</u>
Gas exploration and development		
Lake Erie .....	78,823	
Mining preproduction		
Chile .....	79,469	63,656
	<u>349,233</u>	<u>208,024</u>



## Notes to Consolidated Financial Statements for the Year Ended December 31, 1967

### 1. VALUES

The amounts shown for investments, mineral properties and deferred costs represent costs to date and are not intended to reflect present or future values.

### 2. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies, namely:

Atlas Copper Company Ltd. (N.P.L.)  
Atlas Exploration (Australia) Limited  
Atlas Oil and Gas Limited (N.P.L.)  
Cima Mines Limited (N.P.L.)  
Mt. Hundere Mines Limited (N.P.L.)

Foreign currencies have been converted at the following rates of exchange:

- (a) current assets and current liabilities — at rates as at December 31, 1967.
- (b) fixed assets — at rates at dates of acquisition or construction.
- (c) deferred exploration, development and preproduction costs — at average rates for each year except for depreciation which is converted at the rates effective on the dates on which the expenditures on the related assets were made.

### 3. CONCENTRATE SETTLEMENTS RECEIVABLE

Concentrate settlements receivable are valued at the metal prices prevailing at the time of shipment. In accordance with the terms of the sales contract, which the company has entered into for a three year period for the sale of all concentrates produced based on the London Metal Exchange prices, final settlements are made at prices prevailing at a future date and the amounts which will be received by the company may vary from those amounts shown as concentrate settlements receivable at December 31, 1967.

### 4. INVESTMENTS

- (a) Holdings at December 31, 1967:

	No. of shares	\$
(i) <b>Shares</b>		
Duncan-Ladue Mines Limited (N.P.L.) .....	112,500	1
Empress Mines Ltd. ....	4,125	35,000
Haldane Silver Mines Limited (N.P.L.) .....	4	129,835
		<u>164,836</u>
(ii) <b>Advances</b>		
Empress Mines Ltd. ....		12,500
Haldane Silver Mines Limited (N.P.L.) .....		266,255
Hess Prospecting Joint Venture .....		45,786
Prince of Wales Joint Venture .....		55,716
		<u>380,257</u>
		<u>545,093</u>

## NOTES TO FINANCIAL STATEMENTS

### 4. INVESTMENTS (Cont'd)

- (b) Basis of valuation of shares (no quoted market values):
- (i) Duncan—Ladue Mines Limited (N.P.L.), at nominal value.
  - (ii) Empress Mines Ltd., at cost.
  - (iii) Haldane Silver Mines Limited (N.P.L.), at cost. The company has the right to receive at no additional cost, 243,000 shares of Haldane Silver Mines; subsequent to the year end the company received these shares.
- (c) Advances:
- (i) Empress Mines Ltd., without interest or fixed repayment terms; convertible into shares of Empress Mines at a rate to be determined.
  - (ii) Haldane Silver Mines Limited (N.P.L.), with interest at 6% per annum (beginning November 8, 1968) and repayable in 1969. The company has the right to convert the advances to shares of Haldane Silver Mines at 10c per share for the first \$50,000 advanced and 80c per share for the remaining advances to a maximum of \$250,000. Subsequent to the year end the company converted \$266,000 into 770,000 shares.
  - (iii) Hess Prospecting Joint Venture, without interest or fixed repayment terms; being a 40% joint venture interest.
  - (iv) Prince of Wales Joint Venture, without interest or fixed repayment terms; being a 50% joint venture interest. Subsequent to the year end the company assigned its interest in this venture to Haldane Silver Mines for shares therein.

### 5. MINERAL PROPERTIES

- (a) As at December 31, 1967 the company owned or had the right to acquire under option the following mineral properties:

<b>Canada</b>	<b>\$</b>
Yukon	
670 staked mineral claims, at a nominal value of \$1 each .....	670
238 mineral claims; at the value ascribed to 750,000 shares (\$75,000) of the parent and 300,000 shares (\$30,000) of a subsidiary issued as consideration therefor and \$92,510 ascribed to shares of the company issued to Silver Titan Mines Limited (N.P.L.) (note 10)	197,510
224 mineral claims being acquired under options for cash payments totalling \$75,381 and specified minority numbers of vendors shares in new companies to be formed to hold the mineral properties if the options are fully exercised; options are exercisable by payment of varying amounts up to Sept. 15, 1971, of which \$10,881 has been paid to December 31, 1967 .....	10,881
Lake Erie	
12 gas licenses at the value ascribed to 120,000 shares (\$240,000) issued as consideration therefor, and \$2,661 paid by cash .....	242,661
<b>Chile</b>	
644 mineral claims, in consideration for \$172,800 cash and the value ascribed to 850,000 shares (\$133,537) of a subsidiary issued as consideration therefor .....	306,337
<b>Australia</b>	
As at December 31, 1967 the company had the right to acquire under option mineral properties in Australia for \$90,870 (\$A75,000 and \$A100 cost of the due date extension) payable in varying amounts by 1971. To fully exercise the option the company must by 1971, cause the incorporation of a new company which will hold the mineral properties. The company is to receive 80% of the shares issued by the new company in consideration for the mineral properties. \$9,215 (\$A7,700) has been paid as at December 31, 1967 .....	9,215
	767,274

- (b) 623 of the Chilean mineral claims are charged with a royalty of 1% of the gross value of the copper produced and sold therefrom. There is 10% outside interest in 288 of the Yukon mineral claims.
- (c) 8 of the gas licences are charged with an overriding royalty of 6% of the gross value of the gas and oil produced therefrom.
- (d) Subsequent to December 31, 1967 the company entered into a joint venture agreement to explore for minerals in the Sheldon area of the Yukon Territory, including the company's claims therein.



## NOTES TO FINANCIAL STATEMENTS

### 6. FIXED ASSETS

Land, buildings, leaching pad, equipment and related accumulated depreciation are classified as follows:

	1967			1966
	Cost	Accumulated Depreciation	Net	Net
	\$	\$	\$	\$
Buildings .....	128,678	32,952	95,726	28,866
Leaching Pad .....	131,175	67,693	63,482	47,935
Automotive Equipment .....	55,537	29,606	25,931	22,188
Office Equipment .....	10,842	4,000	6,842	7,326
Mining Equipment .....	591,096	338,233	252,863	287,999
	917,328	472,484	444,844	394,314
Land .....	8,000		8,000	8,000
	925,328	472,484	452,844	402,314

### 7. PREPRODUCTION COSTS

During 1967 the Chilean operation was in the preproduction stage; accordingly all expenditures thereon have been classified as preproduction costs and the estimated recovery of costs through production of concentrates has been credited thereto.

### 8. SECURITY FOR BANK ADVANCES

As security for the bank advances the company has pledged a portion of its marketable securities.

### 9. LONG-TERM DEBT

	1967	1966
	\$	\$
(a) Agreement Payable, without interest, repayable during 1968 and secured by Chilean mineral properties and equipment .....	64,800	226,800
(b) Loan repayable by December 31, 1968, with interest at 7½% per annum. The company has pledged as security for the loan 88% of its shares of Cima Mines Limited (N.P.L.). The loan carries the option of conversion to shares of the company at \$2.50 per share; all interest would be forfeited if the conversion privilege is exercised.	500,000	
	564,800	226,800
Less current portion .....	564,800	162,000
	Nil	64,800

### 10. CAPITAL STOCK

(a) As at December 31, 1967 the company had issued the following shares of its capital stock:

	Number of Shares	Par Value	Premium (Discount)	Net
		\$	\$	\$
<b>For Cash:</b>				
Opening balance .....	1,601,532	800,766	828,824	1,629,590
Issued during the year .....	135,000	67,500	291,225	358,725
Closing balance .....	1,736,532	868,266	1,120,049	1,988,315
<b>For Mineral Properties:</b>				
Opening and closing balance .....	750,000	375,000	(300,000)	75,000
<b>For gas licenses:</b>				
Issued during the year and closing balance .....	120,000	60,000	180,000	240,000
<b>For major portion of minority interest in subsidiary:</b>				
Issued during the year and closing balance .....	83,333	41,666	233,021	274,687
<b>For net assets of Silver Titan Mines Limited (N.P.L.):</b>				
Issued during the year and closing balance .....	985,501	492,751	2,537,669	3,030,420
<b>TOTALS</b>	<b>3,675,366</b>	<b>1,837,683</b>	<b>3,770,739</b>	<b>5,608,422</b>
<b>Summary:</b>				
Opening balance .....	2,351,532	1,175,766	528,824	1,704,590
Issued during the year .....	1,323,834	661,917	3,241,915	3,903,832
Closing balance .....	3,675,366	1,837,683	3,770,739	5,608,422

## NOTES TO FINANCIAL STATEMENTS

### 10. CAPITAL STOCK (Cont'd)

- (b) Contributed surplus arose from the excess of proceeds of sale over part value of shares of capital stock less discount on shares issued.

	\$
Balance — beginning of year .....	908,825
Less: Discount on 1,150,002 shares issued in previous years .....	380,001
Adjusted balance—beginning of year .....	528,824
Add: Excess of proceeds arising during the year .....	3,241,915
Balance — end of year .....	<u>3,770,739</u>

- (c) The company has reserved 150,000 shares for an employees stock option plan. Under this plan, options for 39,500 shares have been granted at prices ranging from \$2.125 to \$2.20 per share expiring in 1971 and are outstanding at December 31, 1967.

In addition, the following stock options are outstanding at December 31, 1967:

- (i) To an ex-officer of Silver Titan Mines Limited (NPL) as a result of the acquisition of the net assets and undertakings of that company and to officers of Atlas to purchase a maximum of 29,318 shares at a price of \$2.00 each, expiring in 1971.
- (ii) To an underwriter, for 200,000 shares as follows:
  - 100,000 at \$2.55 each, expiring April 25, 1968
  - 100,000 at \$2.80 each, expiring July 25, 1968.
- (d) A conversion option has been granted under the terms of a loan agreement for 200,000 shares at \$2.50 each (note 9).
- (e) Subsequent to the year end the company issued the following shares, not covered under the aforementioned stock options:
  - (i) 100,000 for cash of \$230,000
  - (ii) 33,332 for the remaining minority interest in a subsidiary company.

### 11. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year no directors fees were paid. Remuneration paid to directors or consulting companies controlled by them, for services as officers of the company and to senior officers of the company amounted to \$76,865.

### 12. NORTHERN MINERAL EXPLORATION ASSISTANCE REGULATIONS GRANT

Pursuant to an exploration programme approved by the Department of Indian Affairs & Northern Development, the company has applied for grants totalling \$231,160. At December 31, 1967, \$178,318 has been received and the balance of \$52,842 has been recorded as receivable. The Regulations provide that if the property for which the grant was received should come into production, the grants received will become a loan subject to repayment, with interest, over a period of ten years from the date said production commences.

### 13. CAPITAL COMMITMENTS

Subsequent to December 31, 1967 the company entered into an agreement for drilling a minimum of 10 wells during 1968 on its Lake Erie gas property. The total cost of these wells is estimated at \$500,000.



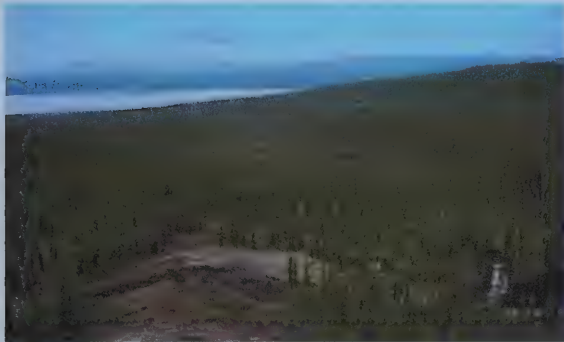
## Exploration on Sheldon Project - Yukon

A significant step forward in exploration on the Sheldon project was achieved with the recent signing of a joint venture agreement between Atlas and Mitsui Mining & Smelting Company of Japan.

During 1966 and 1967 Atlas spent in excess of \$750,000 on this project for regional exploration, property acquisition and development. The Sheldon project encompasses a newly-discovered northwesterly-trending mineralized district about 60 miles long and 25 miles wide.

Funds contributed under the joint venture will initially finance a diamond drilling program on the Pay group of claims with drilling scheduled to commence early in April.

Under the terms of the joint venture, Mitsui may earn up to a 50% interest in the Sheldon project by contributing a total of \$1,150,000 during the calendar years 1968 to 1972. The minimum contribution



*Pay property showing preliminary trenching and terrain.*



*Winkie diamond drilling and bulldozer trenching, Pay property, 1967.*

for each of the years 1968 to 1970 has been set at \$200,000. Contributions can be accelerated at any time depending on results. After Mitsui has contributed \$1,150,000 any additional financing is to be contributed by Atlas and Mitsui on an agreed basis.

Approximately 50 tons of fuel and equipment have been airlifted to the Pay property near Fortin Lake and a camp has been constructed in preparation for the drill program some 50 miles east of Ross River. Initial drilling will test a three-mile-long geochemical anomaly zone with associated mineralized float and zinc sulphides discovered by bulldozer trenching in 1967.

Other properties and selected areas within the Sheldon project will be investigated this season by geophysical, geochemical and geological surveys. Drilling is also planned for one other claim group in the project area.

## Development of Gas Reserves in Lake Erie

Atlas entered into oil and gas exploration in June 1967 through its wholly-owned subsidiary, Atlas Oil & Gas Limited.

Exploration licences were acquired totalling 58,700 acres offshore in Lake Erie. The prospect is located 8 miles from Point Pelee twenty miles southwest of the Tilbury Field, Ontario's largest offshore gas producer.

Atlas Oil & Gas drilled six wells on the prospect during the 1967 drilling season. The first exploratory well discovered gas in the Guelph zone and recorded an open flow of over seven million cubic feet per day which is the largest flow of gas recorded offshore in Lake Erie. Five development wells, three successful and two abandoned, followed this initial discovery. Results of the 1967 drilling program were as follows:

Well No.	Well Name	Date Completed	Flow Capacity
1	Atlas L.E. No. 1	July 19, 1967	7420 mcf/d A. O. F.
2	Atlas L.E. No. 5	July 28, 1967	6780 mcf/d A. O. F.
3	Atlas L.E. No. 2	August 6, 1967	Abandoned
4	Atlas L.E. No. 3	August 17, 1967	Abandoned
5	Atlas L.E. No. 4	September 3, 1967	Not tested pending stimulation. Characteristics similar to No. 1.
6	Atlas L.E. No. 6	October 11, 1967	7030 mcf/d A. O. F.

A. O. F. denotes calculated absolute open flow.

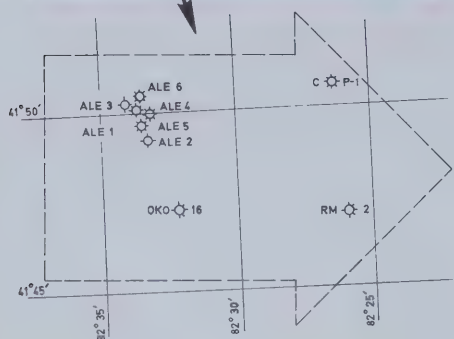
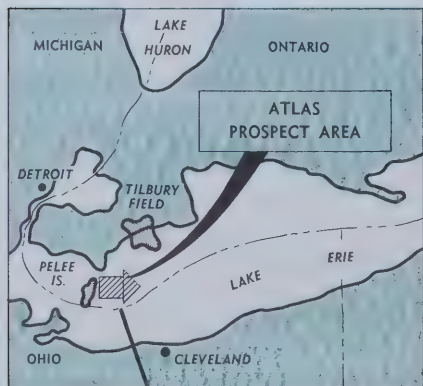
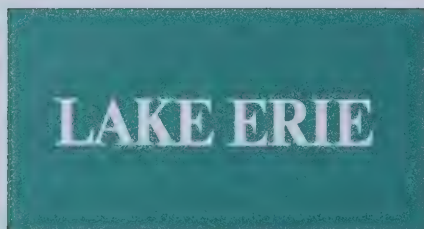
mcf/d denotes thousand cubic feet per day.

Plans for this year's drilling season call for drilling 20 more wells and laying approximately seventeen miles of pipeline to connect the field with the onshore market distribution system.

The pipeline and compressor station study has been completed and construction permits have been applied for. Construction will commence as soon as the required reserves have been established by further drilling. The average well head price for gas in the area is 35¢ per mcf.

A drilling contract has been signed with George Mitchell & Associates, for a minimum of 10 wells of a proposed 20 well program to commence on May 1, 1968.

The geological report prepared by our consultants Quillian, Boychuck & Associates of Chatham, Ontario, lists a proven area of 1,665



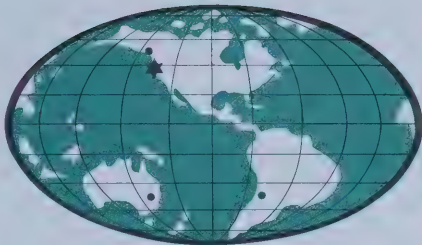


acres by the existing four wells with proven gas reserves of two billion nine hundred and fourteen million cubic feet. The possible reserves of the prospective reservoir are estimated at forty six billion two hundred million cubic feet or a total of forty nine billion cubic feet. The gross value of total possible reserves would be approximately seventeen million dollars based on the average well head price of 35c per thousand cubic feet.

The present reservoir has several semi-proven locations to be drilled and may well extend to other parts of the acreage. Another prospect is indicated by the Crabtree Place No. 1 well six miles to the east. This well was drilled and suspended in 1962 with an initial flow of 250 mcf per day but could be stimulated into commercial production by hydraulic fracturing methods which usually increase the flow three to five times. An active program to acquire additional acreage in the project area is being carried out.

Projected costs for drilling and pipeline construction for the 1968 season are as follows:

Drilling 20 wells .....	\$1,000,000.00
Pipeline including compressor station .....	700,000.00
	<u>1,700,000.00</u>



*"Nordrill" of George Mitchell and Associates, Houston, Texas, drilling for Atlas, offshore Lake Erie, 1967.*





*Unloading supplies at Fairweather Lake, Hess Project, Yukon.*









Feb



# Atlas Explorations Limited (NPL) Third Annual Report

Year Ending December 31st, 1985



**ATLAS  
EXPLORATIONS  
LIMITED (N.P.L.)**



**DIRECTORS:**

Aaro E. Aho, West Vancouver, B.C.  
R. E. Gordon Davis, Vancouver, B.C.  
John Bruk, West Vancouver, B.C.  
Ronald V. Markham, Vancouver, B.C.  
H. R. Whittall, Vancouver, B.C.

**OFFICERS:**

President and Chairman, Dr. Aaro E. Aho  
Executive Vice-President, R. E. Gordon Davis  
Vice-President, Ronald V. Markham  
Secretary and General Counsel, John Bruk  
Treasurer, Gordon K. Allan  
Asst. Treasurer and Asst. Secretary, Selwyn B. Jones  
Comptroller, G. E. Stedman

**HEAD OFFICE:**

330 - 355 Burrard Street,  
Vancouver 1, B.C.

**REGISTERED OFFICE:**

801 - 900 West Hastings Street,  
Vancouver 1, B.C.

**AUDITORS:**

McDonald, Currie & Co.,  
Vancouver, B.C.  
Coopers & Lybrand, Chile and Australia

**SOLICITORS:**

Lawrence & Shaw  
Vancouver, B.C.

**TRANSFER AGENTS:**

The Guaranty Trust Company of Canada  
Vancouver, B.C.



# ATLAS EXPLORATIONS LIMITED (N.P.L.) AND SUBSIDIARY COMPANIES

## TO OUR SHAREHOLDERS:

During the year Atlas Explorations Limited and its subsidiary companies carried out aggressive exploration and development in minerals, petroleum and natural gas, and achieved commercial production from a small copper mine in Chile and from oil wells in Ontario. The various projects are briefly summarized below and the reader is also referred to a pictorial brochure issued in November, 1968.

### Yukon

The **Sheldon Project** is a joint venture in which Mitsui Mining & Smelting Co. Ltd of Japan may finance up to \$1.1 million to earn 50% interest. Under this joint venture \$292,750 was spent in 1968 drilling the Pay zinc property, doing reconnaissance in the Sheldon area, and working on the new Risby tungsten discoveries. Diamond drilling of 22 holes totalling 6,231 feet on the Pay property tested high geochemical anomalies which revealed several sections of subeconomic grade, i.e. in the order of 14 to 30 feet of 2 to 5% zinc. For 1969 a gravity survey is planned on the Pay property to check further geophysical targets defined by an airborne survey late in 1968. Follow-up reconnaissance in the Sheldon area eliminated most other 1967 targets but, depending on budget, some further work may be done later in the season. On the main Risby tungsten discovery, preliminary sampling showed grades in the order of 0.5 to 1.0%  $WO_3$  across widths of 20 to 25 feet in exposed sections of a mineralized zone aggregating about 4,000 feet in length. Careful prospecting, mapping, trenching, and sampling is planned to further evaluate this and other tungsten deposits discovered in 1968. Total 1969 budget for the Sheldon Project is about \$104,000.

On the **Hess Project**, a joint venture is being undertaken with Quebec Cartier Mining Co. and Philipp Brothers (Canada) Limited for exploration and eventual development with those parties taking a majority interest. The planned 1969 program budget calls for a total of about \$400,000 to be used for bulldozer trenching and follow-up drilling on the Lad property, follow-up on other targets and continued regional reconnaissance throughout the rest of the Hess project area. On the Lad property, occurrences of mineralization were discovered and targets were defined by geologic, geochemical, and geophysical surveys, prospecting and hand trenching.

### Tintina Project

A major new exploration project called the Tintina project is being started in Yukon and Alaska, shared 60/40 by Dynasty Explorations Limited and Atlas in accordance with a relationship agreement between the two companies as outlined below. The project is based on close regional relation of large orebodies such as the Sullivan and Anvil to the Rocky Mountain-Tintina trench system and several other factors of mineral occurrences compiled by our organization. A preliminary program costing about \$230,000 is planned for the 1969 season with follow-up work totalling about \$3 million in successive years. On a regional scale this program is considered to have a good chance of success in discovery of major mineral deposits.

### Oil and Gas

In Lake Erie, Ontario, development drilling of off-shore gas reserves of Atlas Oil & Gas Limited (a wholly-owned subsidiary) during the year resulted in increase of indicated reserves from 2,914 MMcf. to 4,883 MMcf., with possible reserves totalling 11,200 MMcf. Late in the year favourable feasibility led to a decision to proceed with pipeline design and construction. The necessary government permit for the off-shore pipeline route has been obtained and pipeline and gas processing plant design are being finalized. Negotiations for on-shore pipeline right-of-way and processing plant site are well in progress. A marketing agreement with Union Gas Co. of Canada Limited has been negotiated for the purchase of up to 2,197 MMcf. per year at 39 cents per Mcf. Commencement of production is planned for August, 1969.

Lake Erie license holdings were increased in 1968 to 173,280 acres wholly-owned and 75,631 acres in which Atlas Oil & Gas has, or may earn, a 50% working interest. Four exploratory wells drilled on joint acreage in 1968 were dry although valuable geologic information was obtained. Exploration in 1969 will include a seismic survey to cover all of our Lake Erie licenses and drilling of at least two wells late in the season. The combination of seismic data and increased geological information will provide an excellent basis for definition of future exploratory targets.

In Dunwich township, Ontario, commercial production of oil from the Willey field commenced in August, following drilling under a farmout agreement with Imperial Oil Enterprises Limited. To March 31, 1969, production totalled 25,643 barrels for a gross revenue of \$82,000 for the seven-month period. Two of three Cambrian wells drilled yielded economic quantities of oil. Following a test period one of these wells having a high gas content was shut-in pending receipt by the company of a feasibility study in

connection with installation of a gas-gathering system and plant facilities. Participation in drilling of at least two off-set wells is planned for 1969.

A 50-50 joint venture with Dolphin Explorations was entered into late in 1968 to explore 4,000 acres in Sombra township, Ontario, under a farmout agreement from Chevron Standard Limited. A seismic survey was carried out to help define pinnacle reef prospects in the Silurian Guelph formation. Three wells were drilled in February 1969 without success. Subsequent geological and seismic interpretation has outlined one and possibly two further targets to be tested this coming summer.

## Chile

Cima Mines Limited, a wholly-owned subsidiary of Atlas, operates the Quetena copper mine near Chuquicamata in Northern Chile, as an "in situ" and heap leaching operation. In 1968 the operation produced \$768,000 worth of "cement" copper concentrates. Production decreased in the last two months due to switch-over to the new San Miguel pit, but is expected to increase with the addition of high grade ore discovered recently during opening of this pit. Limited exploratory drilling is planned around the new ore to define its extent.

Cima also holds 50% in the Sierra Gorda project 60 miles southwest of Quetena. At Sierra Gorda widespread porphyry copper mineralization occurs in several rock types and localities over an area at least 2½-3 miles in diameter, with oxidized mineralization to 300 feet depth, then sulfides. In 1968, \$100,000 worth of sampling, bulldozer trenching, and detailed magnetic radiometric and geochemical surveys were done. On February 2, 1969, an intensive \$450,000 drilling and technical survey program was started, drilling with highly mobile "Con-Cor" center-sampling rotary equipment under an agreement with Big Indian Drilling Company of Calgary. Up to March 31, 1969, a total of 88 holes totalling 9,354 feet, nearly all 100-feet deep, had been drilled in a rapid and widespread short-hole program designed to test many targets. Significant mineralization and favourable indications have been found in many holes but due to deep leaching it will be necessary to drill deeper to define possible ore bodies. Within two or three months deeper drilling of the most favourable areas should commence.

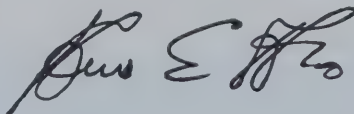
## Financing

Financing of the Atlas projects has been assured by an agreement with Dynasty Explorations Limited pursuant to which Dynasty increases its shareholdings by purchase of 600,000 shares of Atlas treasury stock to bring its total holdings up to about 1,200,000 shares or about 25% of outstanding stock. Atlas and Dynasty will jointly develop new projects, such as the Tintina project, in which Dynasty will have 60% interest and Atlas 40%. Both companies have agreed to give each other the right of first refusal to participate in their existing projects. The present requirements are being financed by treasury issue of 200,000 shares of Dynasty and the proceeds will be used in part for purchase of 600,000 shares of Atlas to provide funds for Atlas projects, and in part to finance Dynasty's share of new projects. Atlas also holds 183,100 shares of Dynasty valued at about \$15.00 per share at March 31, 1969.

With participation in four major mineral exploration projects, continuing oil and gas exploration, development of natural gas reserves, copper and oil production, and a firm relationship with Dynasty Explorations Limited, 1969 promises to be an exciting year for Atlas.

We wish to thank all shareholders, staff, officers, directors, associates, joint venture partners and the many others who have contributed toward the progress and success of Atlas and who will continue to devote efforts to its future.

Respectfully submitted on behalf of the Board of Directors,



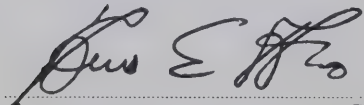
Aaro E. Aho  
*President.*


**ATLAS EXPLORATIONS LIMITED (N.P.L.)**  
**AND SUBSIDIARY COMPANIES**

**CONSOLIDATED BALANCE SHEET**

	1968 \$	1967 \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash .....	2,905	51,011
Marketable securities — at cost (183,100 shares of Dynasty Explorations Limited — quoted value \$2,678,000) ( <i>note 6</i> ) .....	1,329,463	1,317,619
Accounts receivable—sundry .....	81,449	92,760
Receivable from Joint Venture partners .....	367,789	
Government grant receivable ( <i>note 10</i> ) .....	44,863	52,842
Concentrate settlements receivable— at estimated net realizable value .....	107,221	195,269
Concentrate inventories — at estimated net realizable value .....	24,947	33,616
Mine materials and supplies — at cost .....	120,152	49,452
	<u>2,078,789</u>	<u>1,792,569</u>
 INVESTMENTS — at cost (quoted value \$144,153) ( <i>note 1</i> ) .....	 142,402	 396,091
PARTICIPATION IN MINING JOINT VENTURES ( <i>notes 1 and 3</i> ) .....	1,011,711	149,002
MINERAL PROPERTIES AND RELATED COSTS ( <i>notes 1 and 4</i> ) .....	4,049,325	4,100,001
FIXED ASSETS ( <i>note 5</i> ) .....	476,573	452,844
ORGANIZATION COSTS .....	6,967	6,967
	<u>7,765,767</u>	<u>6,897,474</u>

SIGNED ON BEHALF OF THE BOARD

  
 Director

  
 Director



AT DECEMBER 31, 1968

	1968	1967
	\$	\$
LIABILITIES		
CURRENT LIABILITIES		
Bank advances (note 6) .....	818,351	412,602
Accounts payable and accrued liabilities .....	236,264	173,678
Loan payable (note 6) .....	356,561	144,214
Advances on concentrate settlements receivable and concentrate inventories (secured) .....		208,799
Agreement payable .....		64,800
	<u>1,411,176</u>	<u>1,004,093</u>
DUE TO DYNASTY EXPLORATIONS LIMITED (note 7b) .....		500,000
EXCHANGE ADJUSTMENT ARISING ON CONSOLIDATION OF SUBSIDIARY COMPANY HAVING A FOREIGN DIVISION .....	6,916	8,728
MINORITY INTEREST IN NET ASSETS OF CONSOLIDATED SUBSIDIARY COMPANIES .....	30,000	46,813
	<u>1,448,092</u>	<u>1,559,634</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 7)		
Authorized — 10,000,000 shares of the par value of 50c each		
Issued and fully paid — 4,246,527 (1967; 3,675,366) shares .....	2,123,264	1,837,683
CONTRIBUTED SURPLUS (note 7c) .....	5,038,664	3,770,739
SHARES TO BE ISSUED (note 7e) .....	100,000	
	<u>7,261,928</u>	<u>5,608,422</u>
DEFICIT .....	944,253	270,582
	<u>6,317,675</u>	<u>5,337,840</u>
	<u>7,765,767</u>	<u>6,897,474</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Atlas Explorations Limited (N.P.L.) and subsidiary companies as at December 31, 1968 and the statements of consolidated deficit, loss and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

April 3, 1969,  
Vancouver, B.C.

McDONALD, CURRIE & CO.  
Chartered Accountants

**ATLAS EXPLORATIONS LIMITED (N.P.L.)**  
**AND SUBSIDIARY COMPANIES**

**Statement of Consolidated Deficit for the Year Ended December 31, 1968**

	1968 \$	1967 \$
DEFICIT (EARNED SURPLUS) — beginning of year .....	<u>270,582</u>	<u>(641)</u>
CHANGES DURING YEAR		
Costs relating to mineral properties abandoned .....	100,479	379,095
Loss (gain) on sale of fixed assets .....	1,677	(290)
Loss (gain) on disposal of investments .....	385,018	(107,582)
Loss from operations .....	<u>186,497</u>	
Total changes during the year .....	<u>673,671</u>	<u>271,223</u>
DEFICIT — end of year .....	<u><u>944,253</u></u>	<u><u>270,582</u></u>

**ATLAS EXPLORATIONS LIMITED (N.P.L.)**  
**AND SUBSIDIARY COMPANIES**

**Statement of Consolidated Loss for the Year Ended December 31, 1968**

			\$
MINING			
REVENUE FROM CONCENTRATES PRODUCED .....		892,072	
<i>Less:</i> Treatment and marketing costs .....		<u>124,029</u>	
		768,043	
EXPENDITURES			
Operating costs .....	602,090		
Exchange loss .....	<u>64,630</u>	<u>666,720</u>	
OPERATING INCOME .....		101,323	
OTHER EXPENSES			
Depreciation .....	169,108		
Amortization of preproduction costs .....	<u>134,390</u>	<u>303,498</u>	
		202,175	
PROVISION FOR CHILEAN INCOME TAXES .....		<u>5,616</u>	
LOSS FROM CHILEAN OPERATION .....			207,791
OIL			
REVENUE FROM CRUDE OIL SALES .....		55,829	
EXPENDITURES			
Operating costs .....		<u>25,524</u>	
OPERATING INCOME .....		30,305	
Amortization of preproduction costs .....		<u>9,011</u>	
NET PROFIT FROM OIL OPERATION .....			<u>21,294</u>
LOSS FOR THE YEAR ( <i>note 4b</i> ) .....			<u><u>186,497</u></u>



**ATLAS EXPLORATIONS LIMITED (N.P.L.)**  
**AND SUBSIDIARY COMPANIES**

**Statement of Consolidated Source and Use of Working Capital**  
**for the Year Ended December 31, 1968**

SOURCE	1968 \$	1967 \$
From Operations:		
Loss for the year .....	(186,497)	
Deduct: Charges not requiring an outlay of working capital —		
Depreciation .....	169,108	
Amortization of preproduction costs .....	143,401	
	<u>126,012</u>	
Issue of Capital Stock (note 7a) .....	1,443,644	3,903,832
Received on shares to be issued (note 7e) .....	100,000	
Loan .....		500,000
Disposal of investments .....	16,634	396,712
	<u>1,686,290</u>	<u>4,800,544</u>
USE		
On Mineral Properties —		
Oil and gas exploration .....	760,294	599,681
Mining exploration and preproduction .....	73,613	1,788,345
Administration allocated to above .....	126,141	349,233
	<u>960,048</u>	<u>2,737,259</u>
Deduct: Depreciation not requiring an outlay of working capital .....	35,132	287,173
	<u>924,916</u>	<u>2,450,086</u>
On Joint Ventures —		
Mining exploration .....	623,098	
Administration allocated to above .....	69,796	
	<u>692,894</u>	
Deduct: Received from Joint Venture partners .....	467,789	225,105
		<u>114,002</u>
Investments .....	92,247	679,941
Fixed assets — net .....	63,073	337,417
Long-term debt retirement (note 7b) .....	500,000	64,800
Purchase of major portion of minority interest in subsidiary company .....		274,687
Exchange adjustment arising on consolidation of subsidiary company having a foreign division .....	1,812	10,527
	<u>1,807,153</u>	<u>3,931,460</u>
INCREASE (DECREASE) IN WORKING CAPITAL .....	(120,863)	869,084
WORKING CAPITAL (DEFICIENCY) — BEGINNING OF YEAR .....	788,476	( 80,608)
WORKING CAPITAL — END OF YEAR .....	<u>667,613</u>	<u>788,476</u>
REPRESENTED BY:		
Current Assets .....	2,078,789	1,792,569
Less: Current Liabilities .....	1,411,176	1,004,093
Working Capital .....	<u>667,613</u>	<u>788,476</u>

# ATLAS EXPLORATIONS LIMITED (N.P.L.) AND SUBSIDIARY COMPANIES

## Notes to Consolidated Financial Statements for the Year Ended December 31, 1968

### 1. VALUES

The amounts shown for investments, participation in mining joint ventures and mineral properties and related costs represent costs to date and are not intended to reflect present or future values.

### 2. PRINCIPLES OF CONSOLIDATION

- (a) The consolidated financial statements include the accounts of all subsidiary companies, namely:
  - Atlas Copper Company Ltd. (N.P.L.)
  - Atlas Explorations (Australia) Limited
  - Atlas Oil and Gas Limited
  - Cima Mines Limited
  - Mt. Hundere Mines Limited (N.P.L.)
- (b) Foreign currencies have been converted at the following rates of exchange:
  - (i) current assets and current liabilities — at rates as at December 31, 1968.
  - (ii) fixed assets — at rates at dates of acquisition or construction.
  - (iii) revenue, operating costs and mineral property costs — at average rates for the year except for depreciation and amortization which are converted at the rates effective on the dates on which the expenditures on the related assets were made.
- (c) The difference between the cost of shares of the subsidiary companies and their net book values at the dates that control was acquired has been allocated to those assets to which the excess relates.

### 3. PARTICIPATION IN MINING JOINT VENTURES

	<i>Equity</i>	<i>Number of Shares</i>	<i>Cost \$</i>
(a) Yukon			
(i) Empress Mines Ltd. (N.P.L.)			
Shares — at cost (without quoted market value) .....	43%	412,250	35,000
Advances without interest or fixed repayment terms. These advances are convertible, at the option of the company, into shares of Empress Mines at a rate to be determined .....			12,500
			47,500
(ii) Sheldon — expenditures .....	50%		830,588
(iii) Hess — expenditures .....	50%		81,556
			959,644
(b) Chile			
Sierra Gorda — expenditures .....	50%		52,067
Cima Mines Limited, a wholly-owned subsidiary, has agreed to invest U.S. \$100,000 for a 50% interest in the Sierra Gorda project and has agreed to loan up to U.S. \$150,000 for the exploration of the Sierra Gorda properties. The joint venture partners have agreed to invest and to loan the same amounts. The loans shall be repaid out of production from any orebody which may be developed.			
			<u>1,011,711</u>

**ATLAS EXPLORATIONS LIMITED (N.P.L.)**  
**AND SUBSIDIARY COMPANIES**

**4. MINERAL PROPERTIES AND RELATED COSTS**

(a) Mineral properties and related costs are classified as follows:

		Costs \$
Preproduction:		
Cost of properties .....		399,386
Expenditures .....	1,522,989	
<i>Less</i> Amortization .....	<u>143,401</u>	<u>1,379,588</u>
		<u>1,778,974</u>
Exploration:		
Cost of properties .....	524,087	
Expenditures .....	<u>1,746,264</u>	<u>2,270,351</u>
		<u>4,049,325</u>

(b) During the year production commenced on certain of the company's properties and the company has established a policy for amortization of preproduction expenditures whereby they will be charged to earnings during the anticipated life of the related properties.

**5. FIXED ASSETS**

(a) Plant, equipment, land, buildings and related accumulated depreciation are classified as follows:

	1968			1967
	<i>Cost</i>	<i>Accumulated Depreciation</i>	<i>Net</i>	<i>Net</i>
	\$	\$	\$	\$
Chilean plant and equipment .....	836,974	407,260	429,714	392,632
Canadian buildings and equipment .....	118,627	79,768	38,859	52,212
	<u>955,601</u>	<u>487,028</u>	<u>468,573</u>	<u>444,844</u>
Land .....	8,000		8,000	8,000
	<u>963,601</u>	<u>487,028</u>	<u>476,573</u>	<u>452,844</u>

(b) During the year the company reduced the rate of depreciation of the Chilean plant and equipment to 20% per annum, resulting in a decrease in depreciation charged as a preproduction expenditure in prior years of \$173,367.

**6. SECURITY FOR BANK ADVANCES AND LOAN PAYABLE**

As security for the bank advances and loan payable the company has pledged a portion of its marketable securities.



# ATLAS EXPLORATIONS LIMITED (N.P.L.) AND SUBSIDIARY COMPANIES

## 7. CAPITAL STOCK

(a) As at December 31, 1968 the company has issued the following shares of its capital stock:

	<i>Number of Shares</i>	<i>Par value \$</i>	<i>Premium (discount) \$</i>	<i>Gross \$</i>
Balance — beginning of year .....	3,675,366	1,837,683	3,770,739	5,608,422
Issued during year:				
For Cash .....	537,829	268,915	1,174,729	1,443,644
For minority interest in a subsidiary .....	33,332	16,666	93,196	109,862
Balance — end of year .....	4,246,527	2,123,264	5,038,664	7,161,928

(b) The shares issued for cash include 200,000 shares issued to Dynasty Explorations Limited to retire an agreement payable of \$500,000 with accrued interest of \$66,776 which includes \$37,500 for the year ended December 31, 1968.

(c) Contributed surplus arose from premium (net of discount) received on sale of shares shown in paragraph (a) above.

(d) The company has reserved 141,500 shares for an employees stock option plan. Under this plan, options on 37,000 of these shares have been granted at prices ranging from \$2.125 to \$2.76 per share expiring at various dates to 1973 and are outstanding at December 31, 1968.

In addition, stock options are outstanding to an ex-officer of Silver Titan Mines Limited (N.P.L.) as a result of the acquisition of the net assets and undertakings of that company and to officers of Atlas to purchase a maximum of 21,989 shares at a price of \$2.00 each, expiring in 1973.

(e) Under the terms of the Sheldon Joint Venture agreement, provided certain conditions are met, the company must issue 34,843 shares of its capital stock during 1969 to its joint venture partner in consideration for \$100,000 advanced by said partner during 1968.

## 8. LONG TERM LEASE

The company has entered into a 10 year lease for office premises for a total cost of \$690,000 from October 1, 1969 to October 1, 1979.

## 9. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year no directors fees were paid. Remuneration paid to directors or consulting companies controlled by them, for services as officers of the company and to other senior officers of the company amounted to \$91,738.

## 10. NORTHERN MINERAL EXPLORATION ASSISTANCE REGULATIONS GRANT

At December 31, 1968, \$210,823 has been received and a balance of \$44,863 has been recorded as receivable. The Regulations provide that if the property for which the grant was received should come into production, the grants received will become a loan subject to repayment, with interest, over a period of ten years from the date said production commences.

